

Denali Commission
Progress Report, July 1, 2007 – September 30, 2007
Agrium Kenai Gasification Project

Agrium announced the closure of the Kenai Nitrogen Operations facility on September 25, 2007 due to lack of natural gas feedstock. This closure will affect in excess of 100 employees. In the announcement the company stated that it will continue to work on the feasibility of the coal gasification project.

Black & Veatch submitted a draft final engineering report and project cost estimate in late September. Agrium has reviewed the report and submitted comments and questions for Black & Veatch to address in the final submission of their report.

The environmental contractor, ENSR, submitted meteorological data and compiled existing meteorological data into a database for use in the AERMOD modeling input. ENSR also reviewed the quality assurance activities used to collect the data to ensure they meet the Prevention of Significant Deterioration [PSD] air quality permit requirements. Areas have been identified where further documentation is required which ENSR will retrieve from the Kenai Nitrogen Operation's files.

A memorandum was prepared to examine the permitting impacts of a plant closure to existing environmental permits and its implications to the environmental permitting required for the Kenai Gasification Project.

Governor Palin signed into law HB 229 on August 25, 2007, which authorizes the Alaska Railroad Corporation to pursue up to \$2.9 billion in tax free bonds for the gasification project.

The Project focuses on the capital cost estimate and equity partnership selection. Meetings continue to be held with potential equity partners. Phase 2(a) is taking longer than anticipated due to deliberations with potential equity partners.